



PEDRO E. SEGARRA  
MAYOR

May 18, 2011

Honorable rJo Winch, President and  
Members of the Court of Common Council  
City of Hartford  
550 Main Street  
Hartford, Connecticut 06103

RE: Third Quarter Financial Report FY 2010-2011

Dear Council President Winch:

I am pleased to submit to you the Third Quarter Financial Report for FY 2010-2011.

Attached to this report are monthly Revenues/Expenditures Reports for the months of January, February, and March, 2011. Other third quarter reports, including the Department Performance Measures Report, the Quality of Life Report, and the Internal Audit Report are available online on the City's website at <http://www.hartford.gov/budget/reports and presentations.htm>.

As of September 30, 2010, the City's Administration forecast an unfavorable balance between revenue and expenditures, in the General Fund of \$10,250,000 or 1.88% of the Adopted Budget. Revenues were anticipated to decrease by \$3,150,000 or 0.58%. Expenditures were forecast to increase by \$7,100,000 or 1.30% above the adopted level of \$544,442,155. We identified potential mitigating strategies amounting to \$5.5 million.

As of December 31, 2010, the City's Administration forecast an unfavorable balance between revenue and expenditures in the General Fund of \$9,800,000 or 1.80% of the General Fund budget. Revenues were anticipated to decrease by \$3,100,000 or 0.57% from the adopted level of \$544,442,155 and Expenditures were expected to increase by \$6,700,000 or 1.23% over the Adopted Budget. At that point in time, our identified mitigation strategies amounted to \$6,209,554.

As of the end of the third quarter (March 31, 2011), we are forecasting , **without consideration of mitigating management strategies** further outlined below, a third quarter forecast balance between revenue and expenditures in the General Fund of \$10,492,000. Revenues are expected to decrease by \$3,662,000 or 0.67% from the adopted level of \$544,442,155 and Expenditures are expected to increase by \$6,830,000 or 1.25%.

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Nevertheless, working closely and collaboratively with the City Council, City Treasurer and the Administration, the management strategies we have implemented we will anticipate achieving a balanced year-end budget. As of the third quarter, our management strategies are projected to mitigate \$10,691,884 of the projected shortfall resulting in a projected year end surplus of \$199,884. Throughout the remaining months in this fiscal year, we will continue to implement new initiatives and report on the status of our progress toward ending the fiscal year within total appropriation.

The following chart summarizes the mitigation strategies as of the third quarter of FY 2010-2011. They will be explained in more detail in the Revenue and Expenditures sections that follow.

### Financial Challenges

City Council Reduction- (Fringe Benefits):	6,100,000
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#### **Operating Challenges:**

##### Revenue Shortfalls:

Licenses and Permits	1,500,000
Revenue from Use of Money and Property	(500,000)
Intergovernmental Revenue	1,232,000
Charges for Services	(250,000)
Other revenue	1,680,000

##### Expenditures:

Departmental overtime	<u>730,000</u>
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<b>Q3 Forecast</b>	<b>10,492,000</b>
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### Mitigation Strategies

#### Projected Offsetting Categories

##### Revenue

Tax collections	1,000,000
Rent reimbursement from the Pension Commission	306,830

##### Expenditures

Non-union & Union retirement incentive program	1,459,554
Debt service interest reduction	200,000
Personnel Policy for Separations & Vacancies	2,350,000
Citywide non-personnel reduction strategy reduction	500,000
Fringe benefits (medical claims) experience	<u>4,875,500</u>
<b>As of Q3</b>	<b>10,691,884</b>

<b>Projected surplus to year end as of 3<sup>rd</sup> Quarter:</b>	<b><u>\$199,884</u></b>
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## **REVENUE PROJECTIONS COMMENTARY AND STRATEGIES**

### **General Fund:**

Revenue is projected to decrease by \$3,662,000 from the adopted budget level. Through the end of the third quarter of FY 2010-2011, the collected revenues totaled \$421,200,869 or 77.4% of the Adopted Budget of \$544,442,155. The major drivers of this projected revenue shortfall are: Licenses and Permits as a result of the continuing recession and concurrent downturn in construction activity resulting in a \$1,500,000 shortfall under the adopted budget level; Revenue from Use of Money and Property outperforming the Adopted Budget by \$500,000 because of the sale of property known as Shepherd Park; Intergovernmental Revenues underperforming the Adopted Budget by \$1,232,000 specifically because of a shortfall of \$982,000 from the State Pequot Grant and the State M&E Pilot, \$950,000 shortfall from the State Transportation and ECS Grant while other line items within this category have outperformed the Adopted Budget by \$700,000; Revenue for Charges and Services outperforming the Adopted Budget by \$250,000 specifically led by an increase in Conveyance Tax revenue; and Other Revenue shortfall of \$1,680,000 is comprised of Sale of Property for \$830,000, Investment Income for \$330,000, Hartford Parking Authority for \$200,000, Miscellaneous Income for \$170,000 and Private Duty for \$150,000.

As part of the Mitigation Strategies, we expect to collect an additional +/- \$1,000,000 million from the motor vehicle fee waiver program currently under way. The other projected revenue item is the rental reimbursement from the Pension Commission.

We will continue to monitor each revenue category for the remainder of the fiscal year as well as continue to pursue our mitigation strategies to offset the revenue shortfall and will report back to leadership at the end of the fourth quarter.

## **EXPENDITURE PROJECTIONS COMMENTARY AND STRATEGIES**

### **General Fund:**

Expenditures are forecast to increase from the Adopted Budget of \$544,442,155 to \$551,272,155, an increase of \$6,830,000 or 1.2%. Through the end of the Third Quarter of FY 2010-2011, the total FY 10-11 expenditures totaled \$414,852,398 with encumbrances totaling \$5,032,529 for a total of \$419,884,927 which represents 77.1% of the Adopted Budget. We will continue to monitor each expenditure category as the fiscal year progresses and report back to the leadership at the end of the fourth quarter.

For the fourth quarter of FY 2010-2011 we will continue to assertively monitor and manage the General Fund expenditures to ensure a balanced year-end budget. We cannot afford the expenditures to outperform the realized revenue generated into the organization. Budget reduction initiatives such as department reorganization and reductions to public safety overtime have continued to date throughout the fiscal year and will continue into the upcoming FY 2011-2012 to uphold long term operational and financial sustainability.

The expenditure management plan for the third quarter ending March 31st reflects the following information:

- The Voluntary Retirement Incentive Program (VRIP) projected to save approximately \$1,460,000.
- Debt service interest reduction of \$200,000.
- Personnel Policy for Separations and Vacancies for \$2,350,000.
- Citywide non-personnel account reductions of approximately \$500,000.
- Two grants totaling \$667,401 were applied for during this quarter.
- Fringe benefits management and favorable medical claims experience amounting to \$4,875,500.
- Management and Budget and Finance Department are working with individual departments to ensure a successful year-end closing within the budgeted appropriations. As of the third quarter of FY 2010-2011, we are forecasting a year-end surplus of \$199,884.

#### **Operating Department's Personnel Expenditures**

##### **Regular Salaries:**

Based on nine months of activity in the FY 2010-2011, regular salaries are tracking below initial appropriation. This trend is mostly attributable to the Voluntary Retirement Incentive Program and expected to continue through the fourth quarter.

##### **Overtime Expenditures:**

The overtime balances are reviewed on a monthly comparative basis during the HartStat meetings and containment strategies are discussed therein. In the Fiscal Challenges compiled above, we are including a projected year-end overtime negative variance of \$730,000.

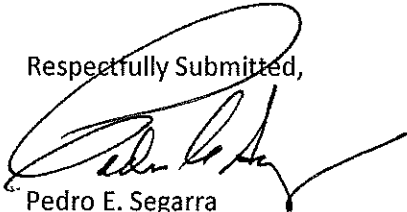
##### **Conclusion:**

My administration and I continue to work diligently to examine and address the operational and fiscal challenges that confront our community. Our City is being impacted by the general economic downturn and resulting unemployment rates, and we anticipate several more lean and challenging years. It is our charge to consistently seek ways to make our government more accountable and more efficient.

In spite of these challenges, we must continue to build on our positive momentum and work collaboratively and strategically to improve education, make further inroads into the root causes of poverty, increase the tax base, and raise our common quality of life. My administration will continue to work with all stakeholders, the Court of Common Council, the City Treasurer, employees and bargaining units, residents and businesses to deliver services to the community, while investigating new revenue generating strategies as well as constantly reviewing programs and departments with an eye towards reducing expenditures throughout the whole organization.

As of the end of the third quarter, March 31, 2011, we expect that as a result of our mitigation strategies we have transformed a potential \$10,000,000 deficit into a favorable operating result of approximately \$200,000 at fiscal year end. We will continue these efforts in the fourth quarter providing a fiscally responsible government that simultaneously drives this community, our residents and the region forward.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Pedro E. Segarra', with a long horizontal flourish extending to the right.

Pedro E. Segarra  
Mayor, City of Hartford